

In Re:
Scoobeez Global, Inc.

Debtor(s)

CHAPTER 11 (BUSINESS)

Case Number:

2:19-BK-14991-WB

Operating Report Number:

2

For the Month Ending:

6/1/2019 to 6/30/2019

I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS

2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL
ACCOUNT REPORTS

3. BEGINNING BALANCE:

100

4. RECEIPTS DURING CURRENT PERIOD:

Accounts Receivable - Post-filing

Accounts Receivable - Pre-filing

General Sales

Other (Specify)

**Other (Specify)

TOTAL RECEIPTS THIS PERIOD:

5. BALANCE:

100

6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD

Transfers to Other DIP Accounts (from page 2)

-

Disbursements (from page 2)

-

TOTAL DISBURSEMENTS THIS PERIOD:***

-

7. ENDING BALANCE:

100

8. General Account Number(s):

*****7303

DIP Scoobeez Global Operating Wells Fargo
3200 Foothill, Blvd.

La Crescenta, CA 91214

* All receipts must be deposited into the general account.

** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.

***This amount should be the same as the total from page 2.

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transferred	**Amount Disbursed	Amount
			TOTAL DISBURSEMENTS THIS PERIOD:	0	0	0

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

Bank statement Date: 6/30/2019 Balance on Statement: 100

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT

0

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS:

0

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE:

100

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____
3. BEGINNING BALANCE:	<input type="text" value="0"/>
4. RECEIPTS DURING CURRENT PERIOD: (Transfer from General Account)	_____ 0
5. BALANCE:	<input type="text" value="0"/>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	<input type="text" value="0"/>
7. ENDING BALANCE:	<input type="text" value="0"/>
8. PAYROLL Account Number(s):	_____
Depository Name & Location:	_____

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
TOTAL DISBURSEMENTS THIS PERIOD:				0

Bank statement Date: 6/30/2019 Balance on Statement: 0

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT

<u>0</u>

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS:

<u>0</u>

Bank statement Adjustments:

Explanation of Adjustments-

--

ADJUSTED BANK BALANCE:

<u>0</u>

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	_____
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	_____
3. BEGINNING BALANCE:	_____ 0
4. RECEIPTS DURING CURRENT PERIOD: (Transfer from General Account)	_____ 0
5. BALANCE:	_____ 0
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	_____ 0
7. ENDING BALANCE:	_____ 0
8. TAX Account Number(s):	_____
Depository Name & Location:	_____

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
TOTAL DISBURSEMENTS THIS PERIOD:				0

Bank statement Date: 6/30/2019 Balance on Statement: \$0

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT

\$0

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS:

\$0

Bank statement Adjustments:

Explanation of Adjustments-

[Redacted]

ADJUSTED BANK BALANCE:

\$0

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

ENDING BALANCES FOR THE PERIOD:

(Provide a copy of monthly account statements for each of the below)

General Account:	\$100
Payroll Account:	
Tax Account:	
*Other Accounts:	
*Other Monies:	
**Petty Cash (from below):	\$0

TOTAL CASH AVAILABLE:

\$100

Petty Cash Transactions:

Date	Purpose	Amount

TOTAL PETTY CASH TRANSACTIONS:

\$0

* Specify the Type of holding (e.g. CD, Savings Account, Investment Security), and the depository name, location & account#

** Attach Exhibit Itemizing all petty cash transactions

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
TOTAL DUE:				\$0

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____ 0
Total Wages Paid: _____ 0

	Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
Federal Withholding			
State Withholding			
FICA- Employer's Share			
FICA- Employee's Share			
Federal Unemployment			
Sales and Use			
Real Property			
Other:			
TOTAL:	\$0	\$0	\$0

	*Accounts Payable Post-Petition	Accounts Receivable	
		Pre-Petition	Post-Petition
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days			
TOTAL:	0	0	0

V. INSURANCE COVERAGE

Type	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
Office Building	Liberty Mutual	\$1M	12/5/2019	6/30/2019
Others:				

**VI. UNITED STATES TRUSTEE QUARTERLY FEES
(TOTAL PAYMENTS)**

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. \$1,000/week, \$2,500/month)

	6/1/2019 through 6/30/2019	4/30/2019 through 5/31/2019	Cumulative Post-Petition
Sales/Revenue:			
Gross Sales/Revenue			0
Less: Returns/Discounts			0
Net Sales/Revenue	0	0	0
Cost of Goods Sold:			
Beginning Inventory at cost			0
Purchases			0
Less: Ending Inventory at cost			0
Cost of Goods Sold (COGS)	0	0	0
Gross Profit	0	0	0
Other Operating Income (Itemize)			0
Operating Expenses:			
Payroll - Insiders			0
Payroll - Other Employees			0
Payroll Taxes			0
Other Taxes (Itemize)			0
Filing Fees			0
Depreciation and Amortization	313		313
Rent Expense - Real Property			0
Lease Expense - Personal Property			0
Insurance			0
Real Property Taxes			0
Telephone and Utilities			0
Repairs and Maintenance			0
Travel and Entertainment (Itemize)			0
Miscellaneous Operating Expenses (Itemize)			0
Total Operating Expenses	313	0	313
Net Gain/(Loss) from Operations	(313)	0	(313)
Non-Operating Income:			
Interest Income			0
Net Gain on Sale of Assets (Itemize)			0
Other (Itemize)			0
Total Non-Operating income	0	0	0
Non-Operating Expenses:			
Interest Expense			0
Legal and Professional (Itemize)			0
Other (Itemize)			0
Total Non-Operating Expenses	0	0	0
NET INCOME/(LOSS)	(313)	0	(313)

(Attach exhibit listing all itemizations required above)

ASSETS		Current Month End	
Current Assets:			
Unrestricted Cash		100	
Restricted Cash		0	
Accounts Receivable			
Inventory			
Notes Receivable from Scoobeez - Hillair Note		11,153,098 (1)	
MCA Settlement from Scoobeez (Operating)		8,098,859	
Prepaid Expenses			
Other (Itemize)		(280,000) (3)	
Total Current Assets			18,972,057
Property, Plant, and Equipment		8,757	
Accumulated Depreciation/Depletion		(5,109)	
Net Property, Plant, and Equipment			3,648
Other Assets (Net of Amortization):			
Due from Insiders			
Other (Itemize)		1,416,090 (2)	
Total Other Assets			1,416,090
TOTAL ASSETS			20,391,795
LIABILITIES			
Post-petition Liabilities:			
Accounts Payable			
Taxes Payable			
Notes Payable			
Professional fees			
Secured Debt			
Other (Itemize)		(280,000) (3)	
Total Post-petition Liabilities			(280,000)
Pre-petition Liabilities:			
Notes Payable Due to Hillair		11,153,098 (3)	
Priority Liabilities			
Unsecured Liabilities		11,079,899 (4)	
Other (Itemize)			
Total Pre-petition Liabilities			22,232,997
TOTAL LIABILITIES			21,952,997
EQUITY:			
Pre-petition Owners' Equity		(1,560,889)	
Post-petition Profit/(Loss)		(313)	
Direct Charges to Equity			
TOTAL EQUITY			(1,561,202)
TOTAL LIABILITIES & EQUITY			20,391,795

(1) The amount purportedly borrowed from Hillair Capital Management ("Hillair") was passed through the Debtor (the parent company) to Scoobeez (the Debtor's subsidiary, which is the operating entity).

(2) This amount represents the value of Goodwill attributed to the purchase of Scoobeez and Scoobur in 2015.

(3) Since the petition date Scoobeez has paid \$280K to Hillair pursuant to cash collateral stipulations and order(s) thereon, and this amount should be applied in a manner consistent therewith.

(4) The unsecured liabilities reflected in the books of the Debtor are itemized as follows: Imran Firoz accrued salary (\$243,933), Shahan Ohanessian accrued salary (\$685,000), Richard Dolan (\$500,000 note payable and \$165,278 in interest payable), advance from Shahan Ohanessian (\$1,323,500), and other notes payable and accrued expenses, all of which are being reviewed by the Debtors' Chief Restructuring Officer and will be revised as necessary and appropriate. In addition, of the total unsecured liabilities, \$8,090,859.00 consists of unsecured liabilities in favor of various merchant cash advance companies (collectively, the "MCA's") as reflected in the settlement agreement by and among the Debtor and Scoobeez on the one hand and the MCA's on the other hand.

1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:
- No _____
 X _____
Yes _____
2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:
- No _____
 X _____
Yes _____
3. State what progress was made during the reporting period toward filing a plan of reorganization
- On or about June 6, 2019, the Court entered an order authorizing the Debtor(s) to retain Brian Weiss of Force 10 Partners as their chief restructuring officer (the "CRO"). Since this date, the CRO has continued to work diligently with the Debtors and the Debtor(s) professionals towards the exit strategy most likely to maximize the value of the estates' assets, and thus the distributions to be made to creditors holding allowed claims.**
4. Describe potential future developments which may have a significant impact on the case:
- See response to question #3. In addition, the deadline for the Official Committee of Unsecured Creditors (the "Committee") to challenge the nature, extent, scope, amount and/or enforceability of any and all claim(s) asserted by and/or lien(s) purportedly in favor of Hillair Capital Management is July 24, 2019, and the Committee has indicated their intent to do so on or before that date by way of adversary proceeding and/or contested matter.**
5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.
6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.
- No _____
 X _____
Yes _____

I, /s/ George Voskanian
George Voskanian, CFO/Co-CEO

declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.

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5 | and

6 John A. Simon (admitted *pro hac vice*)
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10 Attorneys for Debtors and Debtors-in-Possession,
Scoobeez, Scoobeez Global, Inc., and Scoobur, LLC

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

16 In re
17 SCOOBEEZ, *et al.*¹

Debtors and Debtors in Possession.

Case No. 2:19-bk-14989-WB
Jointly Administered:
2:19-bk-14991-WB; 2:19-bk-14997-WB

Chapter 11

**GLOBAL NOTES AND STATEMENT OF
LIMITATIONS, METHODOLOGY, AND
DISCLAIMERS REGARDING
SCOOBEEZ GLOBAL, INC.'S JUNE 2019
MONTHLY OPERATING REPORT**

Affects:

- All Debtors
 - Scoobeez, ONLY
 - Scoobeez Global, Inc., ONLY
 - Scoobur LLC, ONLY

¹ The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Scoobeez (6339); Scoobeez Global, Inc. (9779); and Scoobur, LLC (0343). The Debtors' address is 3463 Foothill Boulevard, Glendale, California 91214.

1 Scoobeez Global, Inc., as debtor and debtor in possession (“**Scoobeez Global**”) is filing its
2 June 2019 Monthly Operating Report in accordance with the United States Trustee Guidelines for
3 the Bankruptcy Court for the Central District of California. These Global Notes and Statement of
4 Limitations, Methodology, and Disclaimers Regarding Scoobeez Global’s June 2019 Monthly
5 Operating Report (the “**Global Notes**”) relate to the Scoobeez Global June 2019 Monthly Operating
6 Report (the “**MOR**”) and are in addition to any specific notes contained in the MOR.

7 **These Global Notes comprise an integral part of the MOR and should be referred to
and considered in connection with any review of the MOR. The MOR and Global Notes
should not be relied upon by any persons for information relating to current or future
financial conditions, events, or performance of Scoobeez Global.**

11 The MOR was prepared by George Voskanian, Scoobeez Global, Inc.’s Chief Financial
12 Officer and Co-Chief Executive Officer (“**Voskanian**”), with the assistance of Scoobeez Global’s
13 advisors. Although Voskanian has made reasonable efforts to ensure that MOR is accurate and
14 complete based upon information that was available at the time of preparation, subsequent
15 information or discovery thereof may result in material changes to MOR, and inadvertent errors or
16 omissions may exist. Moreover, the MOR contains unaudited information, which is subject to
17 further review and potential adjustment.

18 The MOR has been signed by Voskanian. In reviewing and signing the MOR, Voskanian
19 necessarily relied upon the efforts, statements, and representations of Scoobeez Global’s other
20 personnel and professionals.

21 Scoobeez Global and its agents, attorneys, and financial advisors do not guarantee or
22 warrant the accuracy or completeness of the data that is provided herein, and shall not be liable for
23 any loss or injury arising out of or caused in whole or in part by the acts, errors, or omissions,
24 whether negligent or otherwise, in procuring, compiling, collecting, interpreting, reporting,
25 communicating, or delivering the information contained herein. While reasonable efforts have been
26 made to provide accurate and complete information herein, inadvertent errors or omissions may
27 exist.

GLOBAL NOTES PERTAINING TO MOR

1. General Reservation of Rights: Scoobeez Global reserves all rights to amend the MOR from time to time, in any and all respects, as may be necessary or appropriate. Any specific reservation of rights contained elsewhere in the Global Notes does not limit in any respect the general reservation of rights contained in this paragraph.

2. **Global Notes Control.** These Global Notes pertain to and comprise an integral part of the MOR and should be referenced in connection with any review thereof. In the event that the MOR conflict with these Global Notes, these Global Notes shall control.

3. Reservations and Limitations. Reasonable efforts have been made to prepare and file a complete and accurate MOR; however, as noted above, inadvertent errors and omissions may exist. Scoobeez Global reserves all rights to amend and supplement the MOR as may be necessary or appropriate. Nothing contained in the MOR constitutes a waiver of Scoobeez Global's rights or an admission of any kind with respect to these Chapter 11 Cases, including, but not limited to, any rights or claims of Scoobeez Global against any third party or issues involving substantive consolidation, recharacterization, equitable subordination, or defenses or causes of action arising under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable bankruptcy or non-bankruptcy laws to recover assets or avoid transfers. Any specific reservation of rights contained elsewhere in the Global Notes does not limit in any respect the general reservation of rights contained in this paragraph.

4. No Admission. Nothing contained in the MOR is intended or should be construed as an admission or stipulation of the validity of any claim against Scoobeez Global, the secured status of any claim against Scoobeez Global, the nature of any contract, including whether such contract is executory, or a waiver of Scoobeez Global's rights to dispute any claim, the status of any contract, or to assert any cause of action or defense against any party. Furthermore, nothing in the MOR constitutes an admission by Scoobeez Global of the legal rights of any vendor, claimant, or contract counterparty, or nothing in the MOR constitutes a waiver of Scoobeez Global's rights to recharacterize or reclassify such claim or contract.

1 5. **Financial Information.** The financial and tax information contained in the MOR
2 continues to be reviewed by Scoobeez Global and its professionals and will be amended or updated
3 as necessary and appropriate. Historically, based upon the relationship amongst the Debtors,
4 certain financial obligations and results of the operating entity (Scoobeez) may have beeen reported
5 or reflected in the financials of the parent company (Scoobeez Global). For instance, solely by way
6 of example, the Debtors have filed consolidated tax returns.

7 6. **Insiders.** In the circumstances where the MOR requires information regarding
8 “insiders,” Scoobeez Global has included information with respect to certain individuals who
9 served as officers and directors, as the case may be, during the relevant time periods. Such
10 individuals may no longer serve in such capacities. The listing of a party as an insider for purposes
11 of the MOR is not intended to be, nor should it be, construed an admission of any fact, right, claim,
12 or defense, and all such rights, claims, and defenses are hereby expressly reserved. Information
13 regarding the individuals listed as insiders in the MOR may not be used for the purposes of
14 determining control of Scoobeez Global, the extent to which any individual exercised management
15 responsibilities or functions, corporate decision-making authority over Scoobeez Global, or
16 whether such individual could successfully argue that he or she is not an insider under applicable
17 law, including the Bankruptcy Code and federal securities laws, or with respect to any theories of
18 liability or any other purpose. Payments listed as being made to insiders in the MOR continue to
19 be reviewed by Scoobeez Global and its professionals and will be amended or updated as necessary
20 and appropriate.

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